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UNCLAS CAIRO 003779

SIPDIS

SENSITIVE

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SUBJECT: EGYPT: TREASURY OFFICIALS HEAR GOE APPEAL FOR TAX REFORM ASSISTANCE

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¶1. (U) On May 4, Deputy Assistant Secretary of Treasury for Technical Assistance James Fall, Treasury officials Robert Warfield and Keith Krchak, and Emboffs met with Minister of Finance Youssef Boutros Ghali (YBG) and GOE tax administration officials to discuss the possibility of Treasury providing technical assistance in implementing tax reform in Egypt. YBG expressed appreciation for the assistance already provided by Treasury Advisor Keith Krchak on debt management. He explained that Egypt's taxation procedures needed reform, as they were based on Ottoman period practices and were somewhat "medieval." Although progress had been made toward modern, market-based management, there was still much room for improvement. YBG covered a number of areas that needed reform but focused his appeal for assistance on creating a single GOE treasury account for all ministries, bringing the tax system up-to-date by merging the sales and income tax authorities into one unit, developing independent audit and inspection systems, and improving training and tax information availability to customers.

¶2. (U) DAS Fall responded positively to YBG's reform ideas and pledged to send a letter to him in early June explaining what assistance Treasury was prepared to offer. Fall also said that he would consider sending an expert from Treasury for an introductory, non-committal orientation session to explain more carefully how Treasury administers technical assistance. Fall did not specify a time frame for such a visit. (Note: YBG additionally sought Treasury assistance in changing the GOE customs authority, but Fall explained that Homeland Security, not Treasury, handles customs issues. End note).

¶3. (SBU) Comment: YBG appears to be taking a "shotgun" approach in his requests for assistance, appealing to anyone who might be able to offer any kind of assistance, regardless of potential duplication. During the course of Fall's visit to Cairo, he learned from local USAID officials, private sector consultants working for the GOE, and an IMF official, that YBG has sought similar tax reform assistance - and in some cases was already receiving it - from a variety of sources. The IMF was offering assistance on developing a single GOE treasury account for all ministries, and Booz Allen was working on setting up a "Large Taxpayers' Office." With that in mind, the Treasury delegation determined that it would limit any offer of assistance to the area of tax audit procedures, an area in which we understand no other entity is currently offering assistance. End comment.

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GRAY